

EXHIBIT 1

INTRODUCTION

Respondent Citizens for Better Government (“Committee”) was a county general purpose committee, organized with the stated purpose of supporting qualified candidates for local office in the mid-valley area of the San Gabriel Valley. At all relevant times, Respondent Michael Lewis was the treasurer of the Committee.

In this matter, Respondents failed to file a late contribution report in connection with the March 4, 2003 South El Monte City election and Respondent Committee failed to provide proper sender identification on four separate mass mailings.

An express purpose of the Political Reform Act (the “Act”)¹, as set forth in Section 81002, subdivision (a), is to ensure that the receipts and expenditures affecting election campaigns are fully and truthfully disclosed to the public, so that voters may be better informed, and so that improper practices may be inhibited. The Act therefore establishes a campaign reporting system designed to accomplish this purpose of disclosure.

The Act, also, requires candidates or committees to identify the sender on the outside of each piece of mail in a mass mailing.

For the purposes of this Stipulation, Respondents’ violations are as follows:

COUNT 1: Respondent Citizens for Better Government and Respondent Michael Lewis failed to disclose late contributions made to the Committee to Elect Blanca M. Figueroa for \$4,700, Friends of Hector Delgado for \$1,250, and Friends to Elect Luis Aguinaga for \$1,250, on or about February 28, 2003, in a late contribution report, in violation of Government Code section 84203.

COUNT 2: On or about February 28, 2003, Respondent Citizens for Better Government and Respondent Michael Lewis sent a mass mailing, as defined in Section 82041.5 of the Government Code, entitled “*The Choice is Clear*,” containing a mixture of express advocacy and general candidate support and opposition,² in the March 4, 2003 City of South El Monte election, which failed to display required sender

¹ The Political Reform Act is contained in Government Code sections 81000 through 91014. All statutory references are to the Government Code, unless otherwise indicated. The regulations of the Fair Political Practices Commission are contained in Sections 18110 through 18997 of Title 2 of the California Code of Regulations. All regulatory references are to Title 2, Division 6 of the California Code of Regulations, unless otherwise indicated.

² The majority of Respondent Committee mass mailings did not expressly advocate the election or defeat of specified candidates in the March 4, 2003 South El Monte City election. The pro-rata portion of expenditures attributed to the express advocacy in the mass mailings did not qualify as independent expenditures, as defined in Government Code section 82031.

identification, in violation of Government Code section 84305, subdivision (a).

COUNT 3: On or about February 28, 2003, Respondent Citizens for Better Government and Respondent Michael Lewis sent a mass mailing, as defined in Section 82041.5, entitled “*Four More Years*,” containing general candidate support and opposition, in the March 4, 2003 City of South El Monte election, which failed to display Respondent Committee's name and failed to list a committee address, in violation of Government Code section 84305, subdivision (a).

COUNT 4: On or about February 28, 2003, Respondent Citizens for Better Government and Respondent Michael Lewis sent a mass mailing, as defined in Section 82041.5, entitled “*How much can we trust Councilman Raul Pardo? Elect Blanca For Mayor*,” containing a mixture of express advocacy and general candidate support and opposition, in the March 4, 2003 City of South El Monte election, which failed to display Respondent Committee's name and failed to list a committee address, in violation of Government Code section 84305, subdivision (a).

COUNT 5: On or about February 28, 2003, Respondent Citizens for Better Government and Respondent Michael Lewis sent a mass mailing, as defined in Section 82041.5, entitled “*We Agree with the Opinion San Gabriel Tribune*,” containing general candidate support, in the March 4, 2003 City of South El Monte election, which failed to display Respondent Committee's name and failed to list a committee address, in violation of Government Code section 84305, subdivision (a).

PROCEDURAL HISTORY

A report in Support of a Finding of Probable Cause (“probable cause report”) was personally served on Respondent Lewis individually and on behalf of Respondent Committee, thereby tolling the applicable statute of limitations.

SUMMARY OF THE LAW

An express purpose of the Act, as set forth in Section 81002, subdivision (a), is to ensure that receipts and expenditures in election campaigns are fully and truthfully disclosed, so that voters may be fully informed, and improper practices may be inhibited. The Act therefore provides for the full disclosure of receipts and expenditures in election campaigns through the periodic filing of campaign statements, as provided in Sections 84200 through 84211.

Duty to File Late Contribution Reports

Under Section 84203, subdivisions (a) and (b), when a committee makes or receives a late contribution, the committee must disclose the contribution in a late contribution report filed at each office with which the committee is required to file its next campaign statement pursuant to Section 84215, within 24 hours of making or receiving the contribution. Section 82036 defines a “late contribution” as a contribution which totals in the aggregate one thousand dollars (\$1,000) or more that is made to or received by a candidate, a controlled committee, or a committee

formed or existing primarily to support or oppose a candidate or measure before an election, but after the closing date of the last campaign statement that is required to be filed before the election.

Mass Mailing Sender Identification

Section 84305, subdivision (a) requires candidates and committees to properly identify themselves when sending a mass mailing. Specifically, the statute provides that no single candidate or committee shall send a mass mailing unless the name, street address, and city of the candidate or committee are shown on the outside of each piece of mail in the mass mailing. The name of the committee is that which is disclosed on the committee's statement of organization, pursuant to Section 84102.

Section 82041.5 defines a "mass mailing" as over two hundred substantially similar pieces of mail, but does not include a form letter or other mail which is sent in response to an unsolicited request, letter or other inquiry. Regulation 18435, subdivision (a), provides that a mass mailing is over two hundred substantially similar pieces of mail sent in a calendar month. Regulation 18435, subdivision (b), defines the term "sender," as used in Section 84305, as the candidate or committee who pays for the largest portion of expenditures attributable to the designing, printing or posting of the mailing.

Treasurer Liability

Section 84100 provides that every committee shall have a treasurer, and that no expenditure shall be made by or on behalf of a committee without the authorization of the treasurer or that of his or her designated agents. Under Section 84100 and Regulation 18427, subdivision (a), it is the duty of a committee's treasurer to ensure compliance with all requirements of the Act concerning the receipt and expenditure of funds, and the reporting of such funds. A committee's treasurer may be held jointly and severally liable, along with the committee, for any violation committed by the committee. (Sections 83116.5 and 91006.)

SUMMARY OF THE FACTS

Respondent Committee was a county general purpose committee, organized with a stated purpose of supporting qualified candidates for local office in the mid-valley area of the San Gabriel Valley. At all relevant times, Respondent Lewis was the treasurer of the Respondent Committee. The statement of organization for Respondent Committee was filed on December 23, 2002. Respondent Committee filed a statement of termination on August 12, 2004.

Respondent Committee supported candidates Blanca Figueroa, Hector Delgado, and Luis Aguinaga in the March 4, 2003 South El Monte City election. Blanca Figueroa was a successful candidate for South El Monte Mayor. Hector Delgado and Luis Aguinaga were successful candidates for the South El Monte City Council. Additionally, Respondent Committee opposed candidates Allen Co, Raul Pardo, and Albert Perez in the March 4, 2003 South El Monte City election. Allen Co and Raul Pardo were unsuccessful candidates for South El Monte Mayor.

Albert Perez was an unsuccessful candidate for South El Monte City Council.

Respondent Committee properly filed a semi-annual campaign statement for the period January 1, 2003 through June 30, 2003. Respondents reported receiving contributions totaling \$58,000, and making expenditures totaling approximately \$54,781 during this period. All of the contributions made by Respondents during this semi-annual campaign reporting period were made to support the election of Blanca Figueroa, Hector Delgado, and Luis Aguinaga, three city candidates in South El Monte.

Respondents failed to disclose in a late contribution report the contributions made during the late contribution period February 16, 2003 through March 3, 2003, prior to the March 4, 2003 South El Monte City election.

Additionally, on or about February 28, 2003, Respondent Committee sent four mass mailers in connection with the March 4, 2003 South El Monte City election that failed to provide proper sender identification. Each mass mailer was sent to approximately 1,600 households.

According to statements made by Respondent Lewis in an interview conducted by Commission Investigator III Leon Nurse-Williams, Respondent Lewis proofread the mailers and other printed materials for the Respondent Committee before any mass printing was approved. Respondent Lewis explained that he was reluctant to provide a street address on the outside of the mass mailers because he was concerned about retaliation against Respondent Committee volunteers. As a result, Respondent Lewis stated he consulted an attorney and was advised that only the Respondent Committee name and identification number was required on printed material. Respondent Lewis stated he instructed A & M Direct Mail Service, Inc. to remove the Respondent Committee address from the mass mailers, but did not know why the correct Respondent Committee name and identification number did not appear on multiple mass mailers. According to Respondent Lewis' own explanation, Respondent Lewis and Respondent Committee failed to provide the correct Respondent Committee name on four mass mailers, against the advice of counsel.

- The mass mailer entitled "*The Choice is Clear*" failed to include the name, street address, or city of the Respondent Committee. The Respondent Committee paid for this mass mailer on or about February 25, 2003, in the amount of \$2,097.07.
- The mass mailer entitled "*Four More Years*" failed to provide a street address and used the committee name Committee for Competent Leadership. This mailer was paid for by the Respondent Committee on or about February 25, 2003, in the amount of \$2,105.38.
- The mass mailer entitled "*How much can we trust Councilman Raul Pardo? Elect Blanca For Mayor*" failed to provide a committee street address and used the committee name Citizens for Good Government. However, this mass mailing did provide the correct committee identification # 1251358. Respondent Committee paid a portion of this mass mailer on or about February 25, 2003 in the amount of \$692.17, and the remainder on or about March 4, 2003 in the amount of \$1,404.90.

- The mass mailer entitled “*We Agree with the Opinion San Gabriel Tribune*” failed to provide a committee street address and used the committee name Citizens for Good Government. However, this mass mailing did provide the correct committee identification # 1251358. Respondent Committee paid a portion of this mass mailer on or about March 4, 2003, in the amount of \$1,470.29, and the remainder was paid with a check by Respondent Lewis’ company, dated March 4, 2003, in the amount of \$634.19.

COUNT 1

Failure to File Late Contribution Report

Respondent Committee and Respondent Lewis had an obligation to file a late contribution report within 24 hours of making the contribution. The late contribution reporting period for the March 4, 2003 City of South El Monte election was from February 16, 2003 through March 3, 2003. Respondent Committee and Respondent Lewis made contributions to three different candidates’ controlled committees during the late contribution reporting period: Blanca Figueroa, Hector Delgado, and Luis Aguinaga. On or about February 28, 2003, Respondents contributed \$4,700 to Committee to Elect Blanca M. Figueroa, \$1,250 to Friends of Hector Delgado, and \$1,250 to Friends to Elect Luis Aguinaga.

By failing to disclose late contributions in a properly filed late contribution report, Respondents violated Government Code section 84203.

COUNT 2

Failure to Provide Mass Mailer Sender Identification

Respondent Committee was required to provide the name, street address, and city of the committee on the outside of each piece of mail in a mass mailing. On or about February 28, 2003, in connection with the March 4, 2003 City of South El Monte election, Respondents sent a mass mailer entitled “*The Choice is Clear*” to approximately 1,600 households. Approximately 1/3 of the mass mailer contained express advocacy supporting the election of Blanca Figueroa for South El Monte Mayor. Approximately 1/3 of the mailer contained general candidate support for the election of Hector Delgado for South El Monte City Council, and Luis Aguinaga for South El Monte City Council. Approximately 1/3 of the mass mailer contained general candidate opposition of candidates Allen Co and Raul Pardo, both candidates for South El Monte Mayor. Records obtained from the printer establish Respondent Committee paid for this mass mailer on or about February 25, 2003, in the amount of \$2,097.07. The mass mailer failed to include the name, street address, or city of the Respondent Committee.

By failing to provide sender identification on a mass mailer, Respondents violated Government Code section 84305, subdivision (a).

COUNT 3
Failure to Display Proper Mass Mailer Sender Information

Respondent Committee was required to provide the name, street address, and city of the committee on the outside of each piece of mail in a mass mailing. On or about February 28, 2003, in connection with the March 4, 2003 City of South El Monte election, Respondent sent a mass mailer entitled "*Four More Years*" to approximately 1,600 households. The mass mailer contained general candidate support for the election of Blanca Figueroa for South El Monte Mayor, Hector Delgado for South El Monte City Council, and Luis Aguinaga for South El Monte City Council. The mass mailer, also, included general candidate opposition regarding candidate Albert Perez for South El Monte City Council. The mass mailer included the committee name "Committee for Competent Leadership ID 1239119," with no street address or city on the outside of the mass mailer. However, based on information obtained from the printer, this mailer was paid for by the Respondent Committee on or about February 25, 2003, in the amount of \$2,105.38. The mass mailer failed to provide a street address and used the committee name Committee for Competent Leadership.

By failing to provide the proper committee name and address on a mass mailer, Respondents violated Government Code section 84305, subdivision (a).

COUNT 4
Failure to Display Proper Mass Mailer Sender Information

Respondent Committee was required to provide the name, street address, and city of the committee on the outside of each piece of mail in a mass mailing. On or about February 28, 2003, in connection with the March 4, 2003 City of South El Monte election, Respondent sent a mass mailer entitled "*How much can we trust Councilman Raul Pardo? Elect Blanca For Mayor*" to approximately 1,600 households. The majority of this mass mailer contained general candidate opposition of candidate Raul Pardo for South El Monte Mayor. Approximately 1/6 of this mass mailer expressly advocated the recipient to vote for Blanca Figueroa for South El Monte Mayor. According to records obtained from the printer, Respondent Committee paid a portion of this mass mailer on or about February 25, 2003 in the amount of \$692.17, and the remainder on or about March 4, 2003 in the amount of \$1,404.90. The mass mailer failed to provide a committee street address and used the committee name Citizens for Good Government. However, this mass mailing did provide the correct committee identification # 1251358.

By failing to provide the proper committee name and address on a mass mailer, Respondents violated Government Code section 84305, subdivision (a).

COUNT 5
Failure to Display Proper Mass Mailer Sender Information

Respondent Committee was required to provide the name, street address, and city of the committee on the outside of each piece of mail in a mass mailing. On or about February 28, 2003, in connection with the March 4, 2003 City of South El Monte election, Respondent sent a

mass mailer entitled “*We Agree with the Opinion San Gabriel Tribune*” to approximately 1,600 households. The mass mailer contained general candidate support for the election of Blanca Figueroa for South El Monte Mayor, Hector Delgado for South El Monte City Council, and Luis Aguinaga for South El Monte City Council. Respondent Committee paid a portion of this mass mailer on or about March 4, 2003, in the amount of \$1,470.29, and the remainder was paid with a check by Respondent Lewis’ company, dated March 4, 2003, in the amount of \$634.19. The mass mailer failed to provide a committee street address and used the committee name Citizens for Good Government. However, this mass mailing did provide the correct committee identification # 1251358.

By failing to provide the proper committee name and address on the mass mailer, Respondents violated Government Code section 84305, subdivision (a).

CONCLUSION

This matter consists of five counts, which carry a maximum possible administrative penalty in the amount of Twenty Five Thousand Dollars (\$25,000).

In determining the appropriate penalty for a particular violation of the Act, the Enforcement Division considers the typical treatment of a violation in the overall statutory scheme of the Act, with an emphasis on serving the purposes and intent of the Act. Additionally, the Enforcement Division considers the facts and circumstances of the violation in context of factors such as: the seriousness of the violations; the presence or lack of intent to conceal, deceive or mislead; whether the violations were deliberate, negligent, or inadvertent; whether the Respondent demonstrated good faith in consulting with Commission staff; whether there was a pattern of violations; and whether the Respondent, upon learning of the violations, voluntarily filed appropriate amendments to provide full disclosure.

Regarding Count 1, the typical administrative penalty for the failure to file a late contribution report resolved outside of the Streamlined Late Contribution Enforcement Program has varied depending on the surrounding circumstances. The public harm inherent in these types of violations, where pertinent information is not disclosed before an election, is that the public is deprived of important information such as the sources and amounts of contributions to a campaign and the amounts expended by the campaign. With late contribution reports, the interest in disclosure is heightened because late contributions may affect the outcome of an election. In this matter, Respondents failed to disclose \$7,200 in late contributions. As a result, this information was not reported by Respondents until after the March 4, 2003 election. Under these circumstances, imposition of a penalty in the amount of Two Thousand Dollars (\$2,000) is appropriate.

Regarding Counts 2 through 5, the failure to provide proper sender identification on a mass mailer is a serious violation of the Act, as it deprives the public of important information regarding the sponsor of the mailing. The sender identification provided on the mass mailers was misleading. Respondent Lewis approved multiple mass mailers for printing that were not in compliance with the Act, evidencing a pattern of violations. In mitigation, Respondent Lewis

cooperated fully during the investigation with the Enforcement Division staff in this matter, provided the Respondent Committee identification number on two of the mailings, and Respondents do not have any prior enforcement history.

Regarding Counts 2 through 5, the typical administrative penalty for this kind of violation has historically been in the middle of the penalty range, depending on the circumstances of the violation. Each of these violations deprived the public of important information regarding the sponsor of the mailer. An imposition of Two Thousand Five Hundred Dollars (\$2,500) for each of these violations is appropriate, for a total of Ten Thousand Dollars (\$10,000) for Counts 2 through 5.

The facts of this case justify the imposition of the agreed upon penalty of Twelve Thousand Dollars (\$12,000).